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JOINT APPLIED PROJECT

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## REALIGNMENT OF THE ARMY GOVERNMENT PURCHASE CARD PROGRAM IN JAPAN

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**June 2014**

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<b>REPORT DOCUMENTATION PAGE</b>			<i>Form Approved OMB No. 0704-0188</i>	
Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188) Washington DC 20503.				
<b>1. AGENCY USE ONLY (Leave blank)</b>		<b>2. REPORT DATE</b> June 2014	<b>3. REPORT TYPE AND DATES COVERED</b> Joint Applied Project	
<b>4. TITLE AND SUBTITLE</b> REALIGNMENT OF THE ARMY GOVERNMENT PURCHASE CARD PROGRAM IN JAPAN			<b>5. FUNDING NUMBERS</b>	
<b>6. AUTHOR(S)</b> Adora R. Herrera				
<b>7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES)</b> Naval Postgraduate School Monterey, CA 93943-5000			<b>8. PERFORMING ORGANIZATION REPORT NUMBER</b>	
<b>9. SPONSORING /MONITORING AGENCY NAME(S) AND ADDRESS(ES)</b> N/A			<b>10. SPONSORING/MONITORING AGENCY REPORT NUMBER</b> N/A	
<b>11. SUPPLEMENTARY NOTES</b> The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government. IRB Protocol number ____N/A____.				
<b>12a. DISTRIBUTION / AVAILABILITY STATEMENT</b> Approved for public release; distribution is unlimited			<b>12b. DISTRIBUTION CODE</b>	
<b>13. ABSTRACT (maximum 200 words)</b>  The purpose of this research project was to analyze the impact of the Army's request to transfer the Army Government Purchase Card (GPC) program in Japan from the Army's to the Air Force's reporting and processing hierarchies. The governing directive for the realignment, the Memorandum of Agreement (MOA) between the Pacific Air Forces (PACAF) and the Army Contracting Agency, Pacific Region (ACA-PR), was examined. The proper procurement authority for the Army GPC program was also reviewed. The advantages and disadvantages of the two available realignment options were compared to ascertain the most viable course of action to process the transfer. The local GPC procedures affected by the transformation were also analyzed to determine systems capabilities, effect on personnel workload, and compliance with mandatory Army, Air Force, and DOD GPC procedures. This research project demonstrated the need for the realignment of the Army GPC program in Japan. It is recommended that the most viable option for the realignment is to approve a waiver to retain the Army's financial systems and payment procedure when the Army GPC program transfers to the Air Force's processing and reporting hierarchies.				
<b>14. SUBJECT TERMS</b> Government Purchase Card, Army GPC program, reporting and processing hierarchies, procurement authority, memorandum of agreement, reallocation procedures			<b>15. NUMBER OF PAGES</b> 67	
			<b>16. PRICE CODE</b>	
<b>17. SECURITY CLASSIFICATION OF REPORT</b> Unclassified	<b>18. SECURITY CLASSIFICATION OF THIS PAGE</b> Unclassified	<b>19. SECURITY CLASSIFICATION OF ABSTRACT</b> Unclassified	<b>20. LIMITATION OF ABSTRACT</b> UU	

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**REALIGNMENT OF THE ARMY GOVERNMENT PURCHASE  
CARD PROGRAM IN JAPAN**

Adora R. Herrera, Civilian, United States Air Force

Submitted in partial fulfillment of the requirements for the degree of

**MASTER OF SCIENCE IN PROGRAM MANAGEMENT**

from the

**NAVAL POSTGRADUATE SCHOOL  
June 2014**

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## **ABSTRACT**

The purpose of this research project was to analyze the impact of the Army's request to transfer the Army Government Purchase Card (GPC) program in Japan from the Army's to the Air Force's reporting and processing hierarchies. The governing directive for the realignment, the Memorandum of Agreement (MOA) between the Pacific Air Forces (PACAF) and the Army Contracting Agency, Pacific Region (ACA-PR), was examined. The proper procurement authority for the Army GPC program was also reviewed. The advantages and disadvantages of the two available realignment options were compared to ascertain the most viable course of action to process the transfer. The local GPC procedures affected by the transformation were also analyzed to determine systems capabilities, effect on personnel workload, and compliance with mandatory Army, Air Force, and DOD GPC procedures. This research project demonstrated the need for the realignment of the Army GPC program in Japan. It is recommended that the most viable option for the realignment is to approve a waiver to retain the Army's financial systems and payment procedure when the Army GPC program transfers to the Air Force's processing and reporting hierarchies.

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## TABLE OF CONTENTS

<b>I.</b>	<b>INTRODUCTION.....</b>	<b>1</b>
<b>A.</b>	<b>BACKGROUND .....</b>	<b>1</b>
<b>B.</b>	<b>PURPOSE OF RESEARCH .....</b>	<b>2</b>
<b>C.</b>	<b>RESEARCH METHODOLOGY AND RESEARCH QUESTIONS .....</b>	<b>2</b>
<b>D.</b>	<b>PROJECT SCOPE LIMITATIONS .....</b>	<b>3</b>
<b>E.</b>	<b>IMPORTANCE OF RESEARCH .....</b>	<b>3</b>
<b>F.</b>	<b>ORGANIZATION OF REPORT .....</b>	<b>4</b>
<b>G.</b>	<b>SUMMARY .....</b>	<b>4</b>
<b>II.</b>	<b>LITERATURE REVIEW: AREAS AFFECTED BY THE TRANSFORMATION.....</b>	<b>5</b>
<b>A.</b>	<b>GPC PROGRAM STRUCTURE .....</b>	<b>5</b>
	<b>1. GPC Program Hierarchies.....</b>	<b>5</b>
	<i>a. Six Reporting Hierarchies .....</i>	<i>6</i>
	<i>b. Three Processing Hierarchies .....</i>	<i>6</i>
	<b>2. GPC Program Administration.....</b>	<b>7</b>
	<b>3. Army GPC Programs Setup in Japan.....</b>	<b>7</b>
	<b>4. Realignment Options .....</b>	<b>8</b>
<b>B.</b>	<b>THE MEMORANDUM OF AGREEMENT.....</b>	<b>10</b>
	<b>1. Providing Support under a MOA.....</b>	<b>10</b>
	<b>2. PACAF and ACA-PR MOA Administration Provision.....</b>	<b>11</b>
	<i>a. Local Procedures for the Army GPC Programs .....</i>	<i>11</i>
	<i>b. Program Management and Oversight.....</i>	<i>11</i>
<b>C.</b>	<b>PROCUREMENT AUTHORITY .....</b>	<b>11</b>
<b>D.</b>	<b>PROGRAM ADMINISTRATION .....</b>	<b>12</b>
	<b>1. Army GPC Operating Procedures .....</b>	<b>13</b>
	<b>2. Air Force Instruction 64–117 .....</b>	<b>13</b>
	<b>3. Reference Used to Administer the Army GPC Programs.....</b>	<b>13</b>
<b>E.</b>	<b>ELECTRONIC ACCESS SYSTEMS .....</b>	<b>13</b>
	<b>1. Bank Reporting and Payment System .....</b>	<b>14</b>
	<i>a. Reconciliation Procedures.....</i>	<i>15</i>
	<i>b. DOD Electronic Mall.....</i>	<i>15</i>
	<b>2. Purchase Card On-line System.....</b>	<b>16</b>
	<i>a. Enterprise Monitoring and Management of Accounts.....</i>	<i>16</i>
	<i>b. Authorization, Issuance, and Maintenance .....</i>	<i>17</i>
	<i>c. Data Mining .....</i>	<i>17</i>
	<i>d. Risk Assessment .....</i>	<i>17</i>
	<i>e. Reporting .....</i>	<i>17</i>
	<b>3. GPC Express Contract Action Report System.....</b>	<b>17</b>
<b>F.</b>	<b>FINANCIAL SYSTEMS .....</b>	<b>18</b>
	<b>1. Army.....</b>	<b>18</b>
	<i>a. General Fund Enterprise Business System.....</i>	<i>19</i>
	<i>b. Standard Financial System.....</i>	<i>19</i>

	2.	Air Force .....	19
G.		<b>PAYMENT PROCEDURES.....</b>	<b>19</b>
	1.	Army.....	20
	a.	<i>Confirm and Pay Payment Procedure.....</i>	<i>20</i>
	b.	<i>Certification Process .....</i>	<i>20</i>
	c.	<i>Delinquencies .....</i>	<i>21</i>
	d.	<i>Bank Suspensions .....</i>	<i>22</i>
	e.	<i>End of Fiscal Year Procedure .....</i>	<i>22</i>
	2.	Air Force .....	23
	a.	<i>Pay and Confirm Payment Procedure.....</i>	<i>23</i>
	b.	<i>Certification Process .....</i>	<i>23</i>
	c.	<i>Delinquencies .....</i>	<i>24</i>
	d.	<i>Bank Suspensions .....</i>	<i>24</i>
	e.	<i>End of Fiscal Year Procedure .....</i>	<i>24</i>
H.		<b>CERTIFYING OFFICERS FOR GPC STATEMENT.....</b>	<b>25</b>
	1.	Appointment and Termination.....	25
	a.	<i>Army Certifying Officers .....</i>	<i>25</i>
	b.	<i>Air Force Certifying Officers .....</i>	<i>26</i>
	2.	Training Requirements .....	26
I.		<b>FILE RETENTION .....</b>	<b>27</b>
	1.	Army File Retention .....	27
	2.	Air Force File Retention.....	27
J.		<b>SURVEILLANCE PROCEDURES .....</b>	<b>28</b>
	1.	Army Surveillance Procedures .....	28
	2.	Air Force Surveillance Procedures.....	28
K.		<b>REDUNDANCIES .....</b>	<b>28</b>
	1.	A/OPC Bank Setup .....	28
	2.	A/OPC Training Records .....	29
	3.	Reports .....	29
L.		<b>SUMMARY .....</b>	<b>29</b>
III.		<b>ANALYSIS OF REALIGNMENT PROCEDURE OPTIONS.....</b>	<b>31</b>
A.		<b>COA 1: IAW AFI 64–117 .....</b>	<b>31</b>
	1.	Financial Procedures .....	31
	a.	<i>Use of Military Interdepartmental Purchase Request.....</i>	<i>32</i>
	b.	<i>Reallocation Procedure for Transactions .....</i>	<i>33</i>
	c.	<i>Impact on the Financial Procedures.....</i>	<i>34</i>
	2.	Payment Procedures .....	34
B.		<b>COA 2: AFI 64–117 WAIVER TO RETAIN THE ARMY PROCEDURES .....</b>	<b>35</b>
	1.	Financial Procedures .....	35
	2.	Payment Procedures .....	36
C.		<b>SUMMARY .....</b>	<b>36</b>
IV.		<b>RECOMMENDATIONS BASED ON ANALYSIS .....</b>	<b>39</b>
A.		<b>THE NEED FOR TRANSFORMATION.....</b>	<b>39</b>
B.		<b>PROGRAM ADMINISTRATION .....</b>	<b>40</b>

C.	RECOMMEND IMPLEMENTATION OF COA 2 .....	40
D.	REVISION OF AFI 64-117 .....	41
E.	AIR FORCE MEMORANDUM OF INSTRUCTION FOR THE ARMY GPC PROCEDURES .....	41
F.	SUMMARY .....	41
V.	SUMMARY, CONCLUSIONS, AND AREAS FOR FURTHER RESEARCH .....	43
A.	SUMMARY .....	43
B.	CONCLUSIONS .....	44
C.	AREAS FOR FURTHER RESEARCH.....	45
	LIST OF REFERENCES .....	47
	INITIAL DISTRIBUTION LIST .....	49

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## LIST OF TABLES

Table 1.	GPC program structure (after GSA, 2010). .....	5
Table 2.	Army GPC program structure in Japan (after U.S. Bank Report, 2014). .....	8
Table 3.	Proposed structure for the Army GPC program in Japan. ....	9

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## LIST OF ACRONYMS AND ABBREVIATIONS

ACA-PR	Army Contracting Agency, Pacific Region
AFI	Air Force instructions
AIM	Authorization, Issuance, and Maintenance
A/OPC	agency/organizational program coordinator
AO	approving official
BO	billing official
CAC	common access card
CCO	chief of contracting office
CH	cardholder
COA	course of action
CONS	contracting squadron
CPM	component program manager
DDO	deputy disbursing officer
DFARS	Defense Federal Acquisition Regulation Supplement
DFAS	Defense Finance and Accounting Service
DM	Data Mining
DOD	Department of Defense
DOD EMALL	Department of Defense electronic mall
DODI	Department of Defense Instruction
EAS	electronic access system
ECARS	Express Contract Action Reporting System
EMMA	Enterprise Monitoring and Management of Accounts
FAR	Federal Acquisition Regulation
FMA	financial management analyst
FMR	Financial Management Regulation
FPDS	Federal Procurement Data System
GFEBs	General Fund Enterprise Business System
GPC	government purchase card
GSA	General Services Administration
GSU	geographically separated unit

IAW	in accordance with
ISSA	inter-service support agreement
LOA	line of accounting
MCC	merchant category code
MIPR	military interdepartmental purchase request
MOA	memorandum of agreement
MOI	memorandum of instruction
MOU	memorandum of understanding
OUSD	Office of the Undersecretary of Defense
PACAF	Pacific Air Forces
PCOLS	Purchase Card On-line System
PCPMO	Purchase Card Program Management Office
RA	Risk Assessment
RM	resource manager
ROK	Republic of Korea
SCCS	Single Charge Card Solution
STANFINS	Standard Financial Systems
TSYS	total systems
USACCK	United States Army Contracting Command Korea



## **ACKNOWLEDGMENTS**

I want to thank my Level 3 focal point from PACAF, Roger F. Hartzell, and my commander, Calvin C. Hodgson, for allowing me to write on this topic. I also want to thank Ms. Keiko Kobayashi from 374<sup>th</sup> CONS in Yokota Air Base for spending time with me to discuss and compare Yokota's and Kadena's GPC programs.

Most of all, I want to thank my advisors: Professor Brad R. Naegle for walking me through the rough beginning of writing this project and Professor Juanita M. Rendon for her patience and meticulous guidance.

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## **I. INTRODUCTION**

In this chapter, the background of the Army Government Purchase Card (GPC) program in Japan will be presented. It will also cover why the Army requested the program realignment. The purpose, research methodology, research questions, scope limitations, importance, and organization of the research project will also be provided.

### **A. BACKGROUND**

There are two Army charge card programs under the Department of Defense (DOD) Government Purchase Card (GPC) program in Japan. These programs are built under the Army's processing and reporting hierarchies, but are administered by the Air Force contracting offices: the 18<sup>th</sup> Contracting Squadron (CONS), Kadena Air Base in Okinawa and the 374<sup>th</sup> CONS, Yokota Air Base in Tokyo.

The General Services Administration (GSA) awarded a multiple-award schedule contract to multiple servicing banks to provide federal employees with commercial purchase card and associated services. The GPC is one of the services under this contract. The primary purpose of the GPC is to streamline the acquisition procedure. This includes purchasing without the burden of writing a contract. The maximum single transaction dollar limit for the GPC is currently \$3,000, which is the micro-purchase threshold as defined in the Federal Acquisition Regulation (FAR) 2.101 (Army, 2013). Furthermore, different DOD agencies have varying purchasing procedures which can allow the GPC to be used as a payment method against existing contract vehicles.

The DOD GPC program is managed by the Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics) under the Purchase Card Program Management Office (PCPMO). PCPMO is responsible for both the charge card program policies and management at the DOD level. It ensures that the GPC program supports the streamlining of DOD business processes, identifies program deficiencies that require corrective actions, identifies high risk transactions by using data mining capability, coordinates with the servicing banks to investigate fraud queries, runs various administrative bank reports, and maintains a DOD-wide blocked Merchant Category

Code (MCC) list (DOD, 2011). All GPC cards are issued with built-in blocked MCCs. MCC is a coding process that identifies the type of business a merchant provides. A few examples of blocked merchants are antique shops, casinos, escort services, and travel-related businesses, such as airlines.

The Assistant Secretary of the Army (Acquisition, Logistics, and Technology) and the Secretary of the Air Force/Acquisition appoint the next level GPC managers for the Army and the Air Force, respectively. These appointees are responsible for their specific agency's program policies and guidelines. They are also liaisons to their respective agency's major commands, the bank, PCPMO, and GSA.

In early 2013, the Army GPC team that supported the pacific area submitted a request to the Pacific Air Forces (PACAF) to transfer the Army GPC programs from the Army's to the Air Force's reporting and processing hierarchies. The Army's goals were to be in compliance with the governing directives and to place the Army GPC program under the proper procurement authority in Japan. The Army intended to curtail charge card services to the Army units in Japan on June 19, 2014; however, the Air Force requested additional time to conduct further research and discussions to find the best course of action for the realignment. The new target date to complete the transformation is now October 30, 2014.

## **B. PURPOSE OF RESEARCH**

The purpose of this research project is to provide an analysis of the transformation of the current Army GPC program in Japan. Governing directives, program administration, and realignment procedures are analyzed to be able to recommend the best course of action to implement the transformation.

## **C. RESEARCH METHODOLOGY AND RESEARCH QUESTIONS**

This research project will help to determine the best course of action to implement a transformation that will result in a compliant Army purchase card program in Japan. This will result in a more efficient program administration that will serve the best interest

of all the stakeholders of the Army GPC program in Japan. The following research questions are addressed in this research project:

- (1) What are the Army's goals in requesting the program's realignment?
- (2) What areas of the program are affected by the transformation?
- (3) What alternative procedures would be viable to process the realignment?
- (4) What are the advantages and disadvantages of the viable alternatives?

In addition, bank reports were utilized to show how the number of accounts and transactions could impact the workload of program administrators, contractors, and finance personnel. This project also researched limitations of bank electronic systems and the agencies' financial systems to show how identifying the limitation could support the accounting and payment procedures.

#### **D. PROJECT SCOPE LIMITATIONS**

This research project only covered the Army GPC accounts in Japan which are administered by the Air Force 18<sup>th</sup> and the 374<sup>th</sup> CONS.

#### **E. IMPORTANCE OF RESEARCH**

The importance of this research is that there are two Army GPC programs in Japan that are responsible for processing many transactions and accounting for thousands of dollars a year. It is imperative that the Army GPC program in Japan be managed in accordance with the proper policy and regulations. Therefore, it is vitally important that the appropriate realignment procedure option be implemented for the transformation of the current Army GPC program in Japan. A determination will be made as to whether or not the realignment of the Army GPC program will make the program compliant with the mandatory GPC directives. This research will help ascertain the best course of action to implement the transformation.

## **F. ORGANIZATION OF REPORT**

This report is organized into five chapters including this introduction. Chapter II presents the literature review of the areas that could be impacted by the transformation. Chapter III discusses the two viable realignment procedure options which could be used to implement the realignment. Chapter IV presents the recommendations based on the analysis. Chapter V provides the summary, conclusion, and areas for further research.

## **G. SUMMARY**

This chapter presented a brief background of the Army GPC program in Japan and why a transformation is being requested by the Army. The purpose, research methodology, research questions, scope limitations, importance, and organization of the research project were also provided. The next chapter will present a literature review of the areas that are affected by the Army GPC program transformation.

## **II. LITERATURE REVIEW: AREAS AFFECTED BY THE TRANSFORMATION**

This chapter provides an overview of the DOD GPC program structure, the memorandum of agreement, and the proper procurement authority in Japan. Details of the GPC program administration, electronic access systems, financial systems, payment procedures, certifying officers for GPC statement, file retention, surveillance procedures, and redundancies are also presented to better understand how these areas relate to the research questions of this research project.

### **A. GPC PROGRAM STRUCTURE**

The GPC program structure is managed under the DOD charge card's reporting and processing hierarchies. Defense agencies, military components, major commands, installations, approving officials/billing officials (AOs/BOs), and cardholders (CHs) are identified by their designated level numbers.

#### **1. GPC Program Hierarchies**

As shown in Table 1, the participants in the GPC program are identified by level numbers under the reporting and processing hierarchies.

LEVEL NUMBER	REPORTING HIERARCHY	PROCESSING HIERARCHY
Level 1	PCPMO	Bank Number
Level 2	Military/Defense Agency	
Level 3	Major Command	
Level 4	Installation/Base/Activity	Agent Number
Level 5	Approving Official/Billing Official	Company/Managing Account Number
Level 6	Cardholder	

Table 1. GPC program structure (after GSA, 2010).

***a. Six Reporting Hierarchies***

There are six reporting levels used by the Army and the Air Force. The Air Force refers to its Levels 1-3 as focal points and to its Level 4 as Agency/Organizational Program Coordinator (A/OPC). The Army refers to its Levels 1-4 as A/OPCs. A/OPCs are also referred to as GPC program managers. The six reporting levels are described as follows:

- Level 1, identified by the number 47163, is the DOD Purchase Card Program Management Office (PCPMO).
- Level 2 is the program coordinator for the specific defense agency or military component. Army Level 2 is identified by the number 00021. It is staffed under the Assistant Secretary of the Army (Acquisition, Logistics and Technology), Office of the Deputy Assistant Secretary of the Army for Procurement Policy Programs and Oversight. Air Force Level 2 is identified by the number 00057. It is located in the Office of the Deputy Secretary of the Air Force for Acquisition Contracting.
- Level 3 administers the GPC program at the major command level. This office is the liaison amongst the field units (Level 4), Level 2, and the bank. A major command may have multiple Level 3 numbers assigned.
- Level 4 represents the installation purchase card program. A/OPCs are appointed by the local contracting office and are responsible for the day-to-day operation of the card program.
- Level 5 identifies the particular organization or military unit. The Air Force calls this level AO; the Army may refer to this position as the AO, BO, or certifying official. The AO is the program manager for the local organization and responsible for all the CHs under his or her AO's account. This is the invoice billing level in the DOD GPC program. Invoices are generated based on the total purchases of all the CHs under this level.
- Level 6 identifies the CH. This is the purchasing level; only the CHs are allowed to make the purchase or obligate the government in the DOD charge card program, including the Army and Air Force GPC program.

***b. Three Processing Hierarchies***

There are three processing hierarchies used by the bank to identify accounts under the GPC reporting levels. The first hierarchy is the bank number and is associated with Level 1. This number is used by the bank to group agents within total systems (TSYS). Army and Air Force belong to the same TSYS, represented by the number 3058. The



second hierarchy is the agent number, associated with Level 4. This is a unique four-digit number that groups managing accounts. An agent number may have multiple Level 4s attached to it. The third and last hierarchy is the company and the managing account number associated with Level 5. The company number is a unique five-digit number associated with the managing account. It is automatically assigned by the bank when the AO account is requested by the A/OPC. The managing account number is also assigned by the bank to each AO/BO and houses the total funding for all assigned CHs (GSA, 2010).

## **2. GPC Program Administration**

Defense agencies usually administer their own GPC programs. Therefore, the Army and the Air Force manage their own charge card programs. There are, however, many instances where some units or activities may be placed under the administration of a different agency for reasons such as to streamline operations, gain efficiency, eliminate redundancy, enhance mission effectiveness, improve economy, consolidate functions. Another reason for these placements may be due to geographical locations.

These arrangements are usually prescribed in some type of support agreements. For instance, a memorandum of agreement (MOA) or a memorandum of understanding (MOU) may be utilized. Air Force Instruction (AFI) 25–201, Intra-service, Intra-agency, and Inter-agency Support Agreements Procedures define MOA as “A type of intra-service, intra-agency, or inter-agency agreement between two or more parties, which includes specific terms that are agreed to, and commitment by at least one party to engage in action. It includes either a commitment of resources or binds a party to a specific action” (Air Force, 2013, p. 42). An MOA shows that contracting services exist between the Pacific Air Forces (PACAF) and Army Contracting Agency, Pacific Region (ACA-PR) for the area of operations in Japan and Republic of Korea (ROK). The GPC program is covered under this MOA.

## **3. Army GPC Programs Setup in Japan**

The two Army GPC programs in Japan are set up differently from the Air Force GPC program in ROK. These program configurations have been the same since the

inception of these GPC programs. On the Army side in ROK, the Air Force GPC program falls under the processing and reporting hierarchies of the Army; whereas, the Army GPC programs in Japan, although administered by the Air Force, are built under the Army's hierarchies also.

18<sup>th</sup> CONS currently has 32 Army AO accounts and 67 Army CHs, and 374<sup>th</sup> CONS currently has 66 Army AO accounts and 126 Army CHs (U.S. Bank Report, 2014). The number of accounts could change on a daily basis depending on in-coming and out-going personnel, inactive accounts, and terminations for various reasons.

As shown in Table 2, the Army GPC program in Japan is built under the Army Level 2 and Level 3 reporting hierarchies. The Air Force A/OPCs are given Army Level 4 numbers. The AOs and CHs are issued Army Level 5 and 6 accounts.

LEVEL NUMBER	REPORTING HIERARCHY	PROCESSING HIERARCHY
47163	DOD PCPMO	3058
00021	Army	
Army Level 3	413 <sup>th</sup> Contract Support Brigade Hawaii	
Army Level 4	18 <sup>th</sup> /374 <sup>th</sup> CONS Japan	Army Agent Numbers
Army Level 5	Army AO/BO	Army Company Number Managing Account Number
Army Level 6	Army CH	

Table 2. Army GPC program structure in Japan (after U.S. Bank Report, 2014).

#### 4. Realignment Options

The GPC teams from the two agencies identified two courses of action (COAs) as the only viable realignment options for the Army GPC programs.

- COA 1: Send GPC funds to the Air Force through Military Interdepartmental Purchase Requests (MIPRs). The Army GPC accounts will be set up in accordance with the AFI 64–117, Air Force Government-wide Purchase Card (GPC) Program provisions, and will adopt the Air Force financial system and payment procedure.
- COA 2: The Army will request a waiver from the AFI 64–117 to retain the Army’s financial systems and payment procedure.

The Army submitted a draft waiver request memorandum stating that the Army’s customers prefer the COA 2 method. The PACAF recommended the inclusion of other Air Force concerns in the memorandum. These included the anticipated personnel workload in processing MIPRs, Army replacement processes for AFI required processes, and internal funds control to mitigate risks. In April 2014, the Army cancelled the waiver request under COA 2. The Army customers in Japan could not agree to the terms of the waiver request that would allow Air Force finance personnel to have view access to the Army’s financial systems. This issue is currently being negotiated between the Army customers and the Air Force GPC team.

Table 3 illustrates the proposed structure of the Army GPC program under the Air Force’s reporting and processing hierarchies.

LEVEL NUMBER	REPORTING HIERARCHY	PROCESSING HIERARCHY
47163	DOD PCPMO	3058
00057	Air Force	
Air Force Level 3	PACAF Hawaii	
Air Force Level 4	18 <sup>th</sup> /374 <sup>th</sup> CONS Japan	Air Force Agent Numbers
Air Force Level 5	Army AO/BO	Air Force Company Number/ Managing Account Number
Air Force Level 6	Army CH	

Table 3. Proposed structure for the Army GPC program in Japan.

## **B. THE MEMORANDUM OF AGREEMENT**

The two MOAs between the PACAF and the ACA-PR for the area of operations in Japan and ROK are based on the Inter-Service Support Agreements (ISSAs) of 1974 between the U.S. Army Contracting Command Korea (USACCK) and Osan Air Base/Kunsan Air Base. Both Air Force bases are in ROK. As per the ISSA, the two agencies agreed that the Army assume contracting responsibility for the Air Force in ROK, and the Air Force will return the service to the Army units in Japan. Subsequent MOAs were signed to reaffirm the original intent and to update the roles and responsibilities of both parties. The current MOA between PACAF and ACA-PR about contracting support in Japan was last reaffirmed in March 2006. The MOA's review and revision section states that the MOA is required to be reviewed as required, but that the time between reviews will not exceed three years. The Army or the Air Force may initiate revisions as necessary (MOA, 2006). The two agencies are satisfied with the arrangement, and currently, they have no intentions of making revisions to the existing provisions.

### **1. Providing Support under a MOA**

One of the requirements under the AFI 25-201—the Air Force instruction on inter-service support agreements—is that when an Air Force installation can provide the best value support to a geographically separated unit (GSU), the Air Force will provide support regardless of the parent Command or DOD Component (Air Force, 2013). GSU is a geographically separated unit that is located beyond a reasonable commuting distance from its servicing military personnel units.

The Department of Defense Instruction (DODI) 4000.19, Support Agreements states:

The level and quality of support services provided to receivers will be equivalent to the level and quality of support the supplier furnishes to its own mission. The supplier and receiver must agree to the level and quality of support if the level and quality differ from what the supplier furnishes to its Component's organizations. (DOD, 2013, p. 12)

## **2. PACAF and ACA-PR MOA Administration Provision**

In the MOA between PACAF and ACA-PR, the administration provision states that when providing services to each other, the contracting offices accomplish their contracting support responsibilities in accordance with their own respective policies and regulations. Included in the list of contracting support responsibilities is the training, oversight, and surveillance of CHs, as well as BOs and AOs of the GPC program. It also states that the Army should not conduct compliance inspections. Army-conducted inspections are inappropriate because procurement and applicable administration oversight activities in Japan are governed by Air Force regulations, policies, and requirements (MOA, 2006).

### ***a. Local Procedures for the Army GPC Programs***

Local GPC administrative procedures are based on the MOA: Air Force instructions are followed, and AFI 64–117 is the reference used to administer the programs under the Army hierarchies. Because of the discrepancies in the MOA instructions and the GPC program hierarchies, it is difficult to provide the same level and quality of support that is being provided to the Air Force GPC customers. The Air Force and the Army GPC programs have different setup and training requirements, but the Air Force A/OPCs are not familiar with the Army GPC operating procedures; therefore, the training, setup, and other account maintenance required by the Army is not being enforced.

### ***b. Program Management and Oversight***

For program management and oversight, Air Force Level 4 A/OPCs report to the Army Level 3 A/OPC. Surveillance procedures and reports are per the Army's requirement, but the local forms and checklists used to conduct inspections and maintain accounts are per the Air Force's instructions.

## **C. PROCUREMENT AUTHORITY**

One of the most crucial aspects of the GPC program is the procurement authority. The DOD Government Charge Card Guidebook For Establishing and Managing

Purchase, Travel, And Fuel Card Programs states that “No programs shall be established without the existence of clearly delegated procurement authority” (DOD, 2011, p. 2–5). The setup of the Army GPC programs in Japan resulted in the following discrepancies in the use of the procurement authority:

- The Army GPC programs are built under the Army procurement authority; but the procurement authority in Japan belongs to the Air Force.
- Army CHs are covered by the Army procurement authority, but delegations of procurement authority letters for the Army CHs are issued by the 18<sup>th</sup> and 374<sup>th</sup> CONS commanders under the Air Force procurement authority.

#### **D. PROGRAM ADMINISTRATION**

The GPC program follows DOD guidelines, but each military component has its own additional purchasing procedures. The program also relies heavily on commercial practices. The flexibility of the GPC program allows it to adapt and keep up with the changing mission requirements, policy changes from federal and states government, commercial practices, and permanent and temporary waivers from mandatory policies. On the other hand, the flexibility to interact with different agencies and the fast pace of change create a lot of gray areas in the GPC program administration. Timely guidance from the higher level GPC program managers is critical to ensure compliance.

The Level 4 A/OPCs depend on the Level 3 program managers for guidance and updates. There are times when the Air Force and the Army have different purchase procedures and different interpretations of procurement policies. Both add confusion to the program administration. The MOA clearly states that the Air Force policies and requirements will take precedence over how procurements shall be conducted. The Army GPC accounts, however, are issued under the Army hierarchies. Therefore, the Army GPC participants receive guidance, and they are under the purview of the Army Level 3 A/OPC. The result is a program administration with a mix and match of guidance from the Air Force and the Army. This situation makes it difficult for the Level 4 A/OPCs to administer the Army GPC program in Japan.

### **1. Army GPC Operating Procedures**

The Department of the Army Government Purchase Card Operating Procedure is the mandatory reference in the administration of the Army GPC program. It states, “These procedures apply to all GPC purchases with cards issued by the Army.” It includes “All BOs, CHs, A/OPCs (at all levels), Resource Managers (RMs), Logisticians, and other stakeholders that participate in the GSA SmartPay Purchase Card Program under the Army Level 2 hierarchy are subject to these procedures” (Army, 2013, p. 5). GSA SmartPay is the registered name for the DOD charge card program, and the Army and Air Force GPC programs are some of the charge card programs under the SmartPay credit card program.

### **2. Air Force Instruction 64–117**

AFI 64–117—Air Force Government-wide Purchase Card (GPC) Program—is the mandatory instruction for the Air Force GPC program. The instruction states, “This instruction sets forth policies regarding the use of the GPC by Air Force civilian and military personnel” (Air Force, 2011, p. 1).

### **3. Reference Used to Administer the Army GPC Programs**

Local administration for the Army GPC programs is in accordance with the AFI 64–117. It is the reference used for surveillance checklists, training statements, delegation letters to CHs, and in the local purchase transaction log. The latter is required to be used by both the Air Force and the Army account holders.

## **E. ELECTRONIC ACCESS SYSTEMS**

The GPC programs in Japan use three electronic access systems (EAS). The first is the payment and reporting system which is commercial and maintained by the bank. The second EAS is the Purchase Card On-line System (PCOLS). This is the management and oversight enhancement program maintained by DOD. The third EAS is the GPC Express Contract Action Report System (ECARS), a Federal Procurement Data System (FPDS) reporting tool maintained by the Air Force.

## **1. Bank Reporting and Payment System**

The bank maintains an EAS to support the reporting and payment process of the DOD GPC program. The bank's EAS is commercial, does not need a DOD computer, and can be accessed via an internet connection. To authenticate access, a user identification and password is required for all program users. The system provides for the issuance and maintenance of accounts, posting of transactions, reconciliation procedures, dispute capabilities, payment process, storage of records and maintenance, and various reporting capabilities to program administrators.

Charge card transactions are downloaded to the bank's EAS where CHs can reconcile them to the electronic logs in the transaction management feature of the EAS. After the required reconciliation and transaction approval is completed, statements can be approved and certified for payment at the end of the cycle.

The bank's EAS is capable of supporting the transfer of the Army GPC accounts to the Air Force's reporting and processing hierarchies. Under the Air Force structure, the Army and the Air Force can have different financial systems, reconciliation procedures, and payment processes. This structure works well in ROK where the Air Force GPC program is set up under the Army's levels. There is no transfer of funds involved. Each agency maintains its own payment procedure and its own financial and accounting systems. The Army and the Air Force GPC programs functions independently under the Army reporting and processing hierarchies.

The bank can also segregate account types based on the reporting needs of the installation. For instance, contingency cards used for deployment purposes could be given a different level number from the Army garrison cards which are used for routine mission support. This means, under the same Level 2, the bank can issue multiple Level 3s and Level 4s. In Japan, the Air Force's setup is less complicated than the Army's. The Air Force only uses one Level 3 and one Level 4 for each contracting office. The Army, under 374<sup>th</sup> CONS, has three Level 3 and three Level 4 numbers. At 18<sup>th</sup> CONS, there are two Level 3 and three Level 4 numbers.



***a. Reconciliation Procedures***

Before GPC transactions can be approved, the bank's EAS reconciliation is a mandatory procedure. Transactions cannot be approved without a completed transaction log to match. CHs are required to create manual entries in the transaction log describing each purchase. Electronic entries can also be downloaded from other systems that interface with the bank's EAS. The posted transactions are matched to these entries to ensure purchases are authorized and have the proper line of accounting.

**(1) Army Payment Reconciliation Procedures**

To accommodate the Army's mandated financial system, the General Fund Enterprise Business System (GFEBS), the Army introduced the Single Charge Card Solution (SCCS) program in 2013. Under SCCS, the CHs are not allowed to manually create transaction logs. The bank's EAS interfaces with GFEBS to download the purchase request or purchase order created in GFEBS. In order to meet the reconciliation procedures, CHs match those GFEBS electronic logs to the posted transactions in the bank's EAS.

**(2) Air Force Payment Reconciliation Procedures**

Air Force CHs are required to complete the transaction log manually in the bank's EAS. In order to adhere to the reconciliation procedures, all posted transactions in the bank are required to be matched to a completed entry in the transaction log. The same process is required for the remaining Army GPC accounts under the Standard Financial System (STANFINS).

***b. DOD Electronic Mall***

The DOD Electronic Mall (DOD EMALL) is one of the required sources of supplies and the point of entry for many DOD strategic sourcing initiatives. It also interfaces with the bank's EAS, and it automatically creates and posts the electronic transaction logs in the bank's transaction management system. This feature provides for a more accurate reporting and saves CHs' time, especially if there are numerous items in the transactions. This service is available for Air Force GPC accounts. Army CHs under

the SCCS program are not able to take advantage of this feature because all transaction log entries must be downloaded from GFEBS.

## **2. Purchase Card On-line System**

Purchase Card On-line System (PCOLS) is a DOD-wide mandated EAS designed to improve the management and accountability of the GPC program. It is comprised of four-web-enabled programs and a reporting application. It requires a DOD computer and it is a common access card- (CAC) enabled program. This ensures secured authentication and nonrepudiation. PCOLS interfaces with the bank's EAS. Account setup and maintenance actions are communicated between these two systems.

The Air Force GPC program is in full compliance with PCOLS. The Army accounts are also set up in PCOLS, but implementation had been postponed. They await the resolution of the transformation of the GPC accounts. Because the GPC stakeholders are unable to benefit from the management and oversight enhancement provided by PCOLS, this disadvantage is a set back to the Army GPC program.

Since PCOLS is a DOD program and CAC-enabled, it allows one log-in and easy access to both GPC programs. All the levels that the GPC program managers are authorized to access are under one list in the same screen. This is true even when the reporting and processing hierarchies are not the same. The GPC program managers can easily choose which program to access.

### ***a. Enterprise Monitoring and Management of Accounts***

Enterprise Monitoring and Management of Accounts (EMMA) is used to define GPC organizational hierarchies and authority chains and is used to identify relationships within the different roles in the program. The GPC program administrators are able to assign roles. They are also able to give access to authorized program participants who need access to program data. This ensures active participation of CHs, AOs, and supervisors in the GPC program.

***b. Authorization, Issuance, and Maintenance***

Authorization, Issuance, and Maintenance (AIM) is a workflow tool that can be used to initiate, approve, and transmit requests for issuance and maintenance actions of the GPC accounts. It draws information from the bank and hierarchies established in EMMA. It directly engages supervisors to ensure that the GPC program is aligned with the management's internal control program.

***c. Data Mining***

Data Mining (DM) programmatically reviews 100% of the DOD's GPC transactions. High-risk transactions are identified through the use of sophisticated intelligent/learning software by identifying correlations, patterns, and trends. Transactions are reviewed daily and the identified high risk transactions are referred to the AOs, AO supervisors, and A/OPCs for more in-depth reviews.

***d. Risk Assessment***

The Risk Assessment (RA) application works with the DM application and uses internal controls and measures to enable users to monitor program risks and assess the overall health of their GPC program. The goal of RA is to help the program administrator determine the appropriate level of program oversight.

***e. Reporting***

Reporting provides available data such as role assignment, training dates, and inspection dates of the accounts. This information can be used by the A/OPCs and other program managers to update the accounts and manage the program.

**3. GPC Express Contract Action Report System**

The Office of the Under Secretary of Defense (OUSD) issued a memorandum on October 26, 2010 with the subject title, Reporting Government-wide Purchase Card Actions to the Federal Procurement Data System (FPDS). FPDS is the central collection point for all federal agency contract award information. Reporting is required by statute and is prescribed under the Federal Acquisition Regulations (FAR) Part 4.6. This

memorandum reiterates the requirement to report GPC actions when used as a method of payment. Section (3) states, “For order actions under federally awarded contracts (e.g., schedules, government-wide acquisition contracts, indefinite delivery contracts), blanket purchase agreements, and basic ordering agreements: (a) Components shall report all actions purchased and paid for using the GPC to FPDS” (DOD, 2010, p. 1). In addition, the DOD Government Charge Card Guidebook mandates that all purchases exceeding the micro-purchase threshold comply with the reporting requirements of the Defense Federal Acquisition Regulation Supplement (DFARS) (DOD, 2011). DFARS is the DOD supplement to the FAR.

On October 1, 2013, the Air Force implemented the mandatory use of GPC Express Contract Action Report System (ECARS) for all GPC purchases above the micro-purchase threshold. In the previous years, reporting was done through the local contracting office’s express reporting procedures, where purchases are bundled together and reported directly to FPDS. The local procedure only captured Air Force purchases. Army purchases were not reported in the past and are still not being reported to FPDS. ECARS is also not currently capturing the Army purchases because ECARS only applies to GPC accounts under the Air Force hierarchies. Transferring the Army GPC accounts to the Air Force hierarchies will ensure compliance to FPDS reporting requirements because all the required Army GPC purchases will be captured through ECARS.

## **F. FINANCIAL SYSTEMS**

The Army and the Air Force have different financial systems, and these systems cannot interface with each other.

### **1. Army**

The Army GPC program in Japan currently uses two financial systems: GFEBS under the SCCS program and STANFINS under the legacy GPC accounts. The legacy accounts are the old GPC accounts. They cannot be transferred to the new SCCS program.

***a. General Fund Enterprise Business System***

The Army has been required to use GFEBS for its GPC program. This led to the creation of the Army GPC SCCS program in 2013. The Army waiver request memorandum described the GFEBS process. Under GFEBS, a purchase request or purchase order is created per transaction. This pre-validates funds before disbursement. The process provides a complete and automated audit trail from the initiation of the requirement to funding commitment, obligation, and disbursements of funds (Army, 2014). GFEBS interfaces with the bank and automatically transfers the purchase request or purchase order to the bank's transaction log management system for transaction reconciliation. This allows the statements to be certified for payment by the AOs.

***b. Standard Financial System***

The Standard Financial System (STANFINS) is the other financial system used by the Army for legacy accounts that cannot be placed under the SCCS program. Bulk funding is required to be issued and certified to the AOs periodically, such as monthly, quarterly, semi-annually, or annually. The CHs are required to manually complete the bank's transaction log management procedures to reconcile transactions for payment.

**2. Air Force**

AFI 64-117 prescribes AF Form 4009—Government Purchase Card Fund Cite Authorization—to bulk fund the GPC accounts. The Air Force is in the process of adopting a new financial system and a new procedure to fund the GPC accounts. If the Army will be required to adopt the Air Force procedures, these new changes will complicate the realignment of the Army GPC accounts.

**G. PAYMENT PROCEDURES**

There are two payment procedures in the charge card program:

- Confirm and pay (Army preference)
- Pay and confirm (Air Force preference)

## **1. Army**

The Army prefers the confirm and pay payment procedure, where the approval and certification of statements for payment is at the AO level.

### ***a. Confirm and Pay Payment Procedure***

Under the confirm and pay payment procedure, certification depends on the individual AO. Payments are not always timely and rebates are not always maximized. The Army GPC Operating Procedures states,

The Army certifies invoices for payment after all purchased items have been confirmed. This procedure has been called “Confirm and Pay.” Each BO must establish a system to flag and track all transactions certified for payment with proof of receipt and acceptance. This procedure ensures all transactions reconciled and approved for payment have been receipt verified. (Army, 2013, p. 30)

### ***b. Certification Process***

The Army and the Air Force have the same end of cycle date, required certification time frame, and payment process workflow from the certifying officer to the servicing Defense Finance and Accounting Service (DFAS) office. The difference between the two programs is that, with the Army, the AO is also the BO or the certifying officer. These officers are responsible for approving and certifying their own managing account bank statements. For both agencies, most AO and CH roles are additional duties of personnel who already have other full time responsibilities, and sometimes these personnel may not be able to attend to GPC duties promptly. It is important that the A/OPCs send reminders to Army AOs and, also, that they run certification status reports to ensure that the statements are paid on time. The CHs and AOs must reconcile all of the transactions and approve both the CH’s and AO’s statements before statements or invoices can be certified. Unlike the Air Force’s payment procedure, this approval process is part of the payment process.

*c. Delinquencies*

One of the most significant frustrations of the Level 4 A/OPCs managing the Army GPC programs in Japan is delinquent accounts every month. The majority of the Army AOs certify their statements on time, but for some reason the payment posting turn-around time is longer in the SCCS accounts. AOs are showing on the bank's delinquent list even if they certify ahead of the required time—not later than five business days after the close of cycle. Multiple inquiries had been sent to the resource personnel, but they could not explain the reason for the delays to the A/OPCs. Numerous delinquency notifications had been sent to the AOs and resource personnel. This is true even if it is expected that the delinquency list will clear without action. Inquiries still had to be sent because A/OPCs are required to respond to the delinquency report sent by the Level 3 A/OPC. This also ensures that no reject electronic payments are involved. Reject electronic payment happens when there are discrepancies in the GPC accounts' line of accounting and payment office information. The GFEBS workflow will not be discussed because it is outside the scope of this research project.

Because the Air Force A/OPCs are not familiar with the GFEBS procedures, it is not an easy task to research the reasons for delinquencies. In addition, it is difficult to communicate with the resource personnel due to their scattered locations. The A/OPCs have to go through layers of resource personnel to verify payment issues. For instance, 18<sup>th</sup> CONS A/OPCs have to contact the resource personnel in Okinawa first. Then, inquiries are forwarded to either Camp Zama in mainland Japan or to ROK. The 18<sup>th</sup> CONS alone work with over 20 Army resource personnel. These include budget analysts and resource managers from the three Army locations mentioned above. There are only 32 AO accounts. This compares to the Air Force's 135 AO accounts. Their A/OPCs only communicate with less than five finance personnel from the same installation.

Reject electronic payments, which happens occasionally, require invoices to be paid manually. Reject electronic payments had been happening to accounts whether they were set up under the STANFINS or the GFEBS financial system. Most reject payments, however, were from the GFEBS accounts. For some reason, Army resource personnel are overlooking the reject electronic payment notices in GFEBS. The roles and

responsibilities of the Army resource personnel in GFEBS involved in tracking payments and reject electronic payment reports will not be discussed here because it is outside the scope of this research project.

Manual payments for the Army accounts are very slow to process. This results in longer past due days—usually over 30 days. To ease the manual payment process, DFAS issued an instruction on February 9, 2014. The subject title is GFEBS Single Use Charge Card Manual Payment-askDFAS. This instruction ensures that all Army commands properly submit manual payment requests to DFAS (DFAS, 2014).

The delinquency issue is Army-wide because SCCS and GFEBS are fairly new systems. Some reports are not being utilized and some processes are not being done correctly, such as reject electronic payment reports and reconciliation procedures in the bank's EAS. Army resource personnel and GPC account holders are still going through the learning process. Depending on the realignment structure, the delinquency problem may be carried into the new Air Force hierarchies. The Air Force delinquency rates will then increase.

***d. Bank Suspensions***

Accounts that are past due over 60 days are suspended by the bank. Because of the delays in the manual payment process, some AO accounts' delinquency days were approaching over 180 days. As per the GPC procedures, if one AO account goes over 180 days delinquent, the entire Level 4 account will be suspended. Only Level 2 A/OPCs can request authorization from the bank to override any bank suspensions.

***e. End of Fiscal Year Procedure***

Unlike the Air Force, the Army does not have a 13-month cycle. To ensure that no charges are processed after September 30<sup>th</sup>, resource personnel inform AOs and CHs of suspension dates by the last day that the GPC could be used. In addition, because the purchase requests or purchase orders are downloaded from GFEBS to the bank's EAS, mistakes of using the wrong fiscal year funds are minimized under the SCCS.



## **2. Air Force**

The Air Force prefers the pay and confirm payment procedure, where the approval of the statements is at the AO level, and certification of statements for payment is done by the finance office.

### ***a. Pay and Confirm Payment Procedure***

AFI 64-117 requires the use of the pay and confirm payment procedure. Pay and confirm payment procedure allows the Financial Management Analysis (FMA) to certify payment. This is true even if the AO has not approved the statements. Approval and certification of the GPC statements are two independent actions by two separate accountable officials. The FMA office is responsible for processing all GPC payments, and AOs are required to submit a monthly reconciliation memorandum to the FMA office to balance the funding document, AF Form 4009 (Air Force, 2011). Under this payment procedure, statements are usually paid on time and rebates are maximized for the installation's GPC program. Rebates are awarded by the bank based on the dollar amounts of purchases and how fast payments are made to the bank.

### ***b. Certification Process***

The FMA appoints a certifying officer and an alternate to pay the monthly installation invoices. When the invoice or AO statement is made available by the bank after the end of the monthly cycle, usually on the 19th day of the month, the certifying officer from FMA is able to certify the AO statement for payment. The CHs and AOs must approve the statements within 30 days. This approval process is not part of the payment process. AFI 64-117 states,

Certification of the invoice must be accomplished in accordance with "pay and confirm" procedures. Guidance for the "pay and confirm" policy is contained in DOD Purchase Card Reengineering Implementation Memo #3, Streamlined Financial Management Procedures. The memo states "...the Department and its Components shall implement a "pay and confirm" process whereby payment of invoices will be made promptly subject to follow-on verification of receipt and acceptance of goods." (Air Force, 2011, p. 68)

***c. Delinquencies***

The Air Force GPC programs in Japan usually have a 0% delinquency rate. Invoices are paid on time because statement certification is done on installation level by the same one or two resource personnel. The Army certification process, however, is on an individual AO basis. On rare occasions, some AOs may over obligate and approve unauthorized purchases when there are no funds available in the AF Form 4009. This will generate a reject electronic payment, but communication between the A/OPCs and certifying officers are quick and direct. This facilitates quick manual payments and results in shorter past due days, less than 1–30 days.

***d. Bank Suspensions***

Bank suspensions of the Air Force GPC accounts are due to the AO's failure to approve statements within 60 days of end of cycle. It is a requirement that these suspensions are reported to the installation or wing commander every quarter. It is very unlikely for an Air Force GPC account in Japan to get suspended by the bank due to non-payment of invoices.

***e. End of Fiscal Year Procedure***

The Air Force GPC program has a 13-month cycle that closes on October 2. This cycle includes all charges that are received and posted by the bank between the close of the September cycle to the 13-month cycle. This enables the Air Force to match prior fiscal year expenses with prior fiscal year's lines of accounting (LOAs). According to the AFI 64–117,

If a transaction is erroneously charged to the prior fiscal year, the approving official may provide receipts or other dated evidence that supports processing of a SF1081, *Schedule of Voucher Correction* to transfer the charge to current year. Screen prints of the vendor bank's electronic order log (transaction log) are also considered acceptable evidence to support the transfer if it shows that the purchase date was in a different fiscal year than was actually charged. (Air Force, 2011, p. 30)

## **H. CERTIFYING OFFICERS FOR GPC STATEMENT**

GPC certifying officers are responsible for certifying the GPC AO accounts for payment. They are required to ensure that all purchase documents are complete, legal, and accurate. Certifying officers are automatically financially liable for illegal and incorrect payments resulting from negligent and improper certification.

### **1. Appointment and Termination**

Certifying Officers are appointed as prescribed by the DOD 7000–14-R, Financial Management Regulation (FMR), Volume 5, Chapter 33. Supervisors appoint certifying officers with a DD Form 577, Appointment/Termination Record – Authorized Signature. The original copy is forwarded to the servicing DFAS, and a copy is maintained in the personnel file. After termination as a certifying officer, DD Form 577 is required to be maintained for six years and three months (DOD, 2014). The DOD Government Charge Card Guidebook For Establishing And Managing Purchase, Travel, And Fuel Card Programs requires,

Mandatory: In accordance with DOD FMR Volume 5, Chapter 33 and Volume 10, Chapter 23, heads of DOD Components (or their designees) shall appoint Certifying Officers for purposes of certifying payments for GPC invoices. Because of his/her fiduciary obligation to ensure proper use of, and expenditures under, the GPC, the A/BO will also be the Certifying Officer (with the exception of the Air Force). (DOD, 2011, p. A-23)

#### ***a. Army Certifying Officers***

Army GPC Operating Procedure states,

To certify GPC invoices for payment by the DFAS, the BO must be appointed as and accept the responsibilities of a Certifying Officer using the DD Form 577 and complete ethics and fiscal law training (see paragraph 2–2). The BO completes and signs the DD577 and provides to the A/OPC in order for the A/OPC to set up the BO account. The A/OPC provides the original signed and completed DD Form 577 to the supporting DFAS, ATTN: GPC. The BO and A/OPC retain a copy. (Army, 2013, p. 14)

DD Form 577s are not consistently required by the local A/OPCs and the forms are not being sent to the servicing DFAS.

***b. Air Force Certifying Officers***

AFI 64–117 states,

Each Air Force Financial Management Analyst (FMA) that is not a Deputy Disbursing officer (DDO) will appoint the Certifying Officer, and an alternate, for certifying payments to the paying office (disbursing officer) for installation invoices/billing statements. In those cases where the FMA is the DDO, the Installation Comptroller will make the appointments. (Air Force, 2011, p. 67)

The proper appointment of certifying officers cannot be over emphasized. DOD PCPMO issued a memorandum dated August 1, 2000—subject title Certification of Purchase Card Payment Invoices. The memorandum asked the support of the military components and all defense agencies to ensure that only properly authorized individuals certify the GPC statements for payment. The local procedure needs to ensure that certifying officers are properly appointed (DOD, 2000).

The appointment process requires more scrutiny in the Army GPC program. This is because every single AO and alternates are mandated to be appointed as certifying officers. The Army GPC Operating Procedures require the chiefs of contracting (COC) or designee to issue written authority to CHs and BOs. These procedures also require appointees to acknowledge receipt of the appointment letters (Army, 2013). The COCs in Japan, per Air Force procedures, do not issue written authority to AOs because Air Force AOs are not BOs. Delegation letters are issued only to the Army CHs and does not require acknowledgement by signatures.

In addition, one of the roles and responsibilities of the A/OPC included in the DOD Government Charge Card Guidebook For Establishing And Managing Purchase, Travel, And Fuel Card Programs is to ensure that certifying officers, BOs, and CHs have been appointed in writing and that appointments are kept current (DOD, 2011).

**2. Training Requirements**

The DOD government charge card guidebook mandates the completion of the certifying officer training. A/OPCs are required to ensure that appropriate training is established, maintained, and tracked (DOD, 2011).

The Army GPC Operating Procedures states that “To certify GPC invoices for payment by the DFAS, the BO must be appointed as and accept the responsibilities of a Certifying Officer using the DD Form 577 and complete ethics and fiscal training (see paragraph 2–2)” (Army, 2013, p. 14). The local Level 4 A/OPCs do not use the Army operating procedures and are not familiar with any of its requirements. A/OPCs could only assume that the Army supervisors appointing the AOs are ensuring that initial and refresher trainings are being given to the newly appointed and existing AOs. Fiscal and ethics training is covered in the local GPC training and is given by the Air Force legal officer. There are no refresher ethics and fiscal training required under the local GPC procedures. This is because FMA is responsible for the appointment and training of the GPC certifying officers.

## **I. FILE RETENTION**

File retention requirements are not the same in the Army and Air Force. This is because the Army AOs maintain the purchase files as payment documents; whereas, the Air Force AOs maintain the purchase files as procurement documents.

### **1. Army File Retention**

As per the Army GPC Operating Procedures, AOs are required to comply with DOD FMR, Volume 1, Chapter 9. All financial records, including certified billing statements and all supporting documents, such as receipts, are to be maintained for six years and three months after final payment (Army, 2013).

### **2. Air Force File Retention**

The AFI 64–117 requires that all purchase documents received and generated by CHs and AOs include receipts, shipping paperwork, written record of coordination, all other supporting documentation, and surveillance records. They must be retained for three years after final payment (Air Force, 2011).

## **J. SURVEILLANCE PROCEDURES**

The surveillance procedures from the Army and Air Force meet the DOD oversight requirements. Both have their own strength and weaknesses.

### **1. Army Surveillance Procedures**

The Army accounts are being inspected at least once every year for the annual surveillance requirement. Physical audits are performed on 100%, or all of the AO accounts, and on 25% of the AO's transactions. The Army annual surveillance can reveal non-compliance with file maintenance because 100% of AO accounts are audited.

### **2. Air Force Surveillance Procedures**

The Air Force is currently under the surveillance test program. This program is a waiver from the AFI 64-117 annual surveillance procedure. The waiver is required to be reviewed and renewed for reinstatement annually. Every month, the Level 3 GPC focal point randomly chooses GPC transactions and sends them to the installation A/OPCs for more in-depth review. The Air Force's monthly surveillance test program is timely and does not wait a whole year to identify and correct possible violations. The test program, however, could miss file maintenance discrepancies because of the random method of choosing the transactions for review.

## **K. REDUNDANCIES**

There are a few duplicate efforts and redundancies that could be eliminated. This could save some resources.

### **1. A/OPC Bank Setup**

To be able to administer both the Air Force and the Army GPC accounts, Level 4 A/OPCs from 18<sup>th</sup> CONS and 374<sup>th</sup> CONS are required to be set up twice. Two separate applications are completed, and two separate requests are submitted to the bank—one for each agency. Two separate log-in capabilities and two separate profiles are maintained. A/OPCs have to log-in and out of the bank system to be able to work in the separate hierarchies.

## **2. A/OPC Training Records**

GPC Level 3 program managers are required to maintain certification and training records for all Level 4 A/OPCs under them. Both the Air Force and the Army Level 3 program managers maintain two separate records for the same Level 4 A/OPCs.

## **3. Reports**

Level 4 A/OPCs are required to submit mandatory scheduled and ad hoc reports to the Level 3 program managers. The same reports have different formats and different suspense dates for each agency.

## **L. SUMMARY**

This chapter presented the DOD GPC program and showed the current and proposed structure for the Army GPC program in Japan. A review of the MOA and the procurement authority with regards to the GPC program was also discussed. Details of the program administration, electronic access systems, financial systems, payment procedures, certifying officers for GPC statement, file retention, and surveillance procedures and redundancies were presented. These are the areas that could be affected by the Army GPC program transformation. Depending on the realignment option that will be implemented, procedures may be altered or could stay the same. Chapter III will discuss the two viable realignment procedure options.

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### **III. ANALYSIS OF REALIGNMENT PROCEDURE OPTIONS**

This chapter discusses the two viable realignment procedure options identified by the GPC management teams from the Army and the Air Force. The options will be referred to as course of action (COA) 1 and COA 2 for easier reference. COA 1 is to set up the Army GPC program in accordance with (IAW) the Air Force Instruction (AFI) 64–117, and COA 2 is to set up the program by a waiver from AFI 64–117.

#### **A. COA 1: IAW AFI 64–117**

Under this realignment procedure option, the Army GPC accounts will be set up IAW AFI 64–117 and will eliminate the Single Charge Card Solution (SCCS) program. Air Force Financial Management Analysis (FMA) will assign and build the lines of accounting (LOAs) in the bank’s electronic access system (EAS). The FMA will also certify the statements for payment because the Air Force payment procedure will be followed. Military Interdepartmental Purchase Requests (MIPRs) will be utilized to transfer funds from the Army’s to the Air Force’s financial system. AFI 64–117 prescribes the use of AF Form 4009, Government Purchase Card Fund Cite Authorization (Air Force, 2011), to provide bulk funding to the AO accounts. Bulk funding is a process of allocating funds on a periodic basis, such as monthly and annually, versus allocating funds per transaction or per individual purchase. Under COA 1, the Army MIPRs will be used to create AF Form 4009 for the Army accounts. MIPR is a funding vehicle where one military agency can transfer funds to another military agency. The Air Force memorandum dated August 16, 2007—subject title is Air Force Purchases Using Military Interdepartmental Purchase Request—defines it as the primary document used by the DOD to order goods or services from other DOD agencies as well as other government agencies outside DOD (Air Force, 2007).

##### **1. Financial Procedures**

To allow funds to be transferred from the MIPRs to the GPC accounts by the Air Force FMA, COA 1 will require the creation of a new financial procedure.

*a. Use of Military Interdepartmental Purchase Request*

The average number of Army AO accounts between 18<sup>th</sup> CONS and 374<sup>th</sup> CONS is 95 to 100. The issuance and acceptance of MIPRs, the increase of funds, and reimbursement of unused funds would have a tremendous negative impact on the workload of resource personnel from the two agencies.

- The amount of additional resources that will be involved in processing MIPRs back and forth to the two agencies could reach an unacceptable level based on the current available personnel who can process MIPRs. Discussion with the Air Force FMA from Japan revealed that they do not have the manpower to support the projected workload.
- The number of MIPRs issued could reach into the hundreds based on the number of AOs alone. The number of funding or appropriation attached to the AO accounts can also increase the number of MIPRs; some accounts carry more than one LOA, or type of funding.
- Certification of funds or issuance of MIPRs will be done on a periodic basis, such as annually, semi-annually, quarterly, or monthly. A common practice is amendments on certified funds. This is as often as twice a month.
- MIPRs will not be automated because they are from different agencies and will require additional steps to process.
- The manual process and the number of MIPRs to process could generate a significant amount of accounting errors.
- End of fiscal year procedures can add to the number of MIPRs or amendments as well when resource personnel are able to reallocate funds to unfunded requirements.
- Procedures and suspense dates for end of fiscal year commitments and obligation of funds would also be difficult to meet if funds are transferred through MIPR. Missing these suspense dates could result in unused funds and unfulfilled requirements.
- Reconciling the AO accounts and making sure unused funds are returned, or requesting more funds when AOs and CHs over obligates can compound the workload. Over obligation is a common mistake of CHs and AOs. It happens when there are not enough funds to cover the purchases to be paid. These mistakes generate automatic notices from the paying office and need to be corrected right away. Over obligation can also cause reject electronic payments, and manual payment will have to be processed as soon as possible to avoid further delinquency, suspension, and interest penalties.

- Late posting of transactions from prior fiscal year paid with current fiscal year funds are required to be reallocated back to the prior fiscal year. This could also generate multiple adjustment documents.
- Both agencies will have to create new financial procedures or systems on how to process the MIPRs and assign LOAs.

***b. Reallocation Procedure for Transactions***

The reallocation procedure is the process of transferring the posted transactions in the bank's EAS from one LOA to another LOA or LOAs. The reallocation procedure streamlines the GPC program, and it provides the following benefits:

- Minimizes the number of accounts to administer by the Agency/Organizational Program Coordinator (A/OPC). Instead of issuing multiple cards with a single LOA, one card could carry multiple LOAs.
- Reduces the number of A/OPCs required to manage the GPC program. DOD standard is 300 accounts per A/OPC (DOD, 2001).
- Saves finance personnel time by reallocating the transaction to the proper LOAs in the bank's EAS instead of manually transferring them in the local vouchers or ledgers after payment.
- It is an internal control measure to mitigate risk by limiting the number of open cards exposed to fraudulent activities.

The Air Force enforces the use of reallocation procedures for AOs who use more than one type of funding. Currently, the Air Force GPC program in Japan has numerous AOs and CHs who have multiple GPC accounts. Some AOs and CHs have as many as four accounts. For instance, a separate account for supply, services, fly, non-fly, and contingency account.

The Army used the reallocation procedure when the Army charge card program was under the legacy financial systems (old financial systems) and accounts were bulk funded. The General Fund Enterprise Business System (GFEBS) does not need the reallocation procedure because it is transaction-based, and funds are already pre-validated by the resource managers before purchase. It minimizes CHs' and AOs' mistakes by obligating the proper funding to all authorized transactions. Without GFEBS, the Army accounts may have to use the reallocation procedure again. LOAs would be extremely difficult to track and set up if MIPRs are used to transfer the funds. In fact, the Air Force GPC program in Japan is not currently set up for the reallocation procedure yet, and it is

currently working with Defense Finance and Accounting Service (DFAS) to enable the procedure. The reallocation coordination with DFAS is taking over a year to accomplish.

*c. Impact on the Financial Procedures*

Based on the information gathered in this research, COA 1 will impose an unacceptable level of workload to the financial community for both the Army and the Air Force. The Air Force FMA cannot currently support the manpower needed, and they also do not have the procedure to assign the Army LOAs to the AO accounts.

**2. Payment Procedures**

Under COA 1, the statements' certification will be done by the FMA and will gain the following advantages:

- Delinquency rates will be reduced.
- Rebates will be maximized.
- No certifying officials will be required to train and appoint; no DD Form 577 will be required to issue and maintain.
- There will be shorter retention period for AO files—three years versus six years.

These advantages are minimal and will not have a material effect on the new GPC administration. The most important issue is to ensure that certifying officials are trained and appointed properly. The confusion in the current appointment process will be resolved once the program realignment is implemented. This is because the A/OPCs will know that training and appointment is prescribed under the Air Force instructions. The wasted rebates and high delinquency rates in the Army GPC program is a reflection of the learning process under GFEBS and the SCCS program. These issues are expected to go away once the Army personnel gain more experience in the two systems. The additional three years in file retention requirement is hardly an inconvenience based on the Army's practices. If work space becomes an issue, AOs have a choice of hardcopies or electronic file to maintain their purchase documents.

## **B. COA 2: AFI 64–117 WAIVER TO RETAIN THE ARMY PROCEDURES**

The second option, COA 2, is to waive the AFI 64–117 financial system and payment procedure. This option uses AF Form 4009 and the pay and confirm payment procedure. This will provide the same program structure with the Army GPC program in the Republic of Korea (ROK). In ROK, the Air Force GPC accounts are built under the Army’s reporting and processing hierarchies; however, the Air Force’s financial system and payment procedure is retained. This had been an ideal setup for both the Army and the Air Force units in ROK.

### **1. Financial Procedures**

The Air Force GPC focal points’ biggest concern in approving the waiver to retain the Army financial systems is the lack of oversight on funds control. This is because total responsibility of the GPC program rests with the Air Force installation commanders. The memorandum of agreement (MOA), however, specifically states “Army policies, requirements, and directives shall take precedence over what shall be procured” (MOA, 2006, p. 3). The Army leadership is the authority on what are mission essential purchases and is responsible for Army expenditures. In addition, all authorized transactions under the SCCS are pre-validated by the resource managers (RMs). The Army RM has the same responsibility as the Air Force FMA. The AFI 64–117 states that “The FMA is responsible for providing training and advice to cardholders and approving officials on financial issues, account reconciliation and confirmation, certification procedures, and the appropriate use of funds” (Air Force, 2011, p. 27).

Another concern regarding retaining the Army’s financial systems is that the A/OPCs are not familiar with GFEBS, but the A/OPCs have a very limited financial function in the GPC program. Understanding the financial system would help them manage the program, but only minimal financial knowledge is required. The bank’s EAS is a workflow system where the A/OPCs and finance personnel have different roles.

The other issue is the A/OPC’s frustration with communicating with the Army’s finance personnel, but this issue will not go away under COA 1. Frustration will only be

shifted from the A/OPCs to the FMA. Whether realignment is done under COA 1 or COA 2, this issue will need to be resolved.

These concerns are not a set back to the card programs because they are the same procedures that are currently in place. Account holders and GPC managers are already trained in the current process and, as the learning curve is overcome under the SCCS program, performance should improve. SCCS had been in place since 2013, and issues in the program have already surfaced. Solutions, however, are being put in place to solve those problems. This includes the DFAS creating the manual payment instructions. If COA 1 is implemented, new financial procedures will be put in place. There are no standing procedures, and it will be a new learning process all over again for the finance personnel from the Army and the Air Force.

## **2. Payment Procedures**

Because transactions under SCCS will have the proper fiscal year attached to the GFEBs LOA, the Army will not need a 13-month cycle to certify under COA 2. AOs do not have to process adjustment documents even if payments are made in the following fiscal year.

CHs and AOs are more likely to reconcile transactions and approve statements on time because it is tied to the payment process. The AOs will also have a higher level of responsibility and ownership due to the pecuniary liabilities as the certifying official. Compared to the Air Force AOs in Japan, the Army AOs have a better track record of approving statements on time. The reason for this is most likely because, under the Air Force's payment procedure, approving the statement is an independent process and not required for invoice payment. Delinquencies under the SCCS are usually caused by reject electronic payments and not by late AO certification.

## **C. SUMMARY**

This chapter discussed the two realignment procedure options, COA 1 and COA 2, which could be used to implement the realignment. COA 1 will result in the most disruption in the Army GPC program by creating new financial procedures and

increasing the personnel and systems' workload. This will result in personnel frustrations and more inefficiency in the Army GPC program. The next chapter will provide recommendations based on the analysis in this chapter and the literature review in Chapter II.

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## **IV. RECOMMENDATIONS BASED ON ANALYSIS**

This chapter discusses the need for the transformation of the Army GPC program in Japan, the program administration, recommendation of the most viable realignment procedure option for the transformation, inclusion of all Air Force's issued GPCs in the Air Force Instruction (AFI) 64-117 revision, and the creation of an Air Force memorandum of instruction (MOI) for the Army GPC procedures. The recommendations are based on the answers to the research questions, level of criticality, and importance of the areas that were analyzed. Mandatory requirements were given significant consideration versus program efficiency.

### **A. THE NEED FOR TRANSFORMATION**

The memorandum of agreement (MOA) is a binding contractual agreement and, under the MOA, the Air Force has contractual responsibilities to the Army. GPC administration is one of those responsibilities. In addition, transferring the GPC hierarchies to the Air Force will ensure full compliance to the provision of the DOD Instruction 4000.19 that states "The level and quality of support services provided to receivers will be equivalent to the level and quality of support the supplier furnishes to its own mission" (DOD, 2013, p. 12).

All MOAs have an expiration date of not more than nine years from the date that they are signed by both parties. The last time the MOA was reaffirmed was in March 2006, and it will expire in March 2015. If both parties desire to continue the MOA's provision for the administration of the charge card programs, the Army GPC program in Japan needs to be transferred to the reporting and processing hierarchies of the Air Force.

The realignment will also resolve the conflict regarding the use of the procurement authority. The Army GPC program will be built under the Air Force authority, and the CH's delegation of procurement authority will be issued by the Air Force's chiefs of contracting under the same procurement authority.

## **B. PROGRAM ADMINISTRATION**

The administration of the Army GPC program had been chaotic and is non-compliant with some Army and DOD mandatory GPC procedures. This includes the Federal Procurement Data System reporting requirement, Purchase Card On-line System oversight, and certifying officials' training and appointment procedures. Compliance and consistency are difficult to achieve because of the discrepancies in the instructions from the MOA, use of procurement authority, and the GPC hierarchies. The GPC hierarchies and the program managers need to be under the same leadership of the Air Force contracting offices. This will make the charge card programs more transparent regarding discrepancies, inefficiencies, and non-compliance. The program will be administered in accordance with the AFI 64–117, with local contracting procedures, and applicable Army waiver. The elimination of the double layers of hierarchies will enable the GPC program managers to administer the program more efficiently, and it will provide a more confident and focused guidance to all Army GPC customers. The realignment will result in the positive changes listed below:

- One POC for higher guidance
- One reference for instructions and procedures
- Standardized forms based on the Air Force procedures
- Eliminate duplicate reporting and file maintenance
- Ensure compliance with mandatory requirements
- Reduce personnel and program bias
- Increase ownership
- Better customer service

## **C. RECOMMEND IMPLEMENTATION OF COA 2**

This research project recommends pursuing COA 2 via a waiver from AFI 64–117 to maintain the Army financial systems and payment procedure. COA 2 will make the most use of the current systems and personnel resources, promote ownership of the GPC programs by the Army customers, and will not cause unnecessary hardship to the Air Force Financial Management Analysis. The Single Charge Card Solution (SCCS) program is Army-wide, and the support chain for the program is already established. The

Air Force can benefit from the experience and best practices learned from SCCS. There is no need to create a new financial system to support the Army GPC program. This will create more confusion, personnel frustration, and waste of resources.

#### **D. REVISION OF AFI 64-117**

Applicability of the AFI 64-117 is limited to the Air Force civilian and military personnel only. It is being rewritten with a projected revision date of December 2014. It is recommended to change the applicability of the instruction to all charge cards issued by the Air Force. This will automatically extend applicability to the Army customers and any waiver that may be requested in the future.

#### **E. AIR FORCE MEMORANDUM OF INSTRUCTION FOR THE ARMY GPC PROCEDURES**

The final recommendation of this project is for the Air Force to create an MOI for the Army GPC procedures in Japan to supplement the AFI 64-117. There is no need to include the Army procedures in AFI 64-117 which is used Air Force-wide because applicability of the waiver is limited to Japan only. Because an MOI will be easier to update with future changes, it is preferred over incorporating the Army procedures in the AFI 64-117. Areas that need to be incorporated in the MOI include the following:

- Army financial systems
- Army payment procedure
- Training and appointment of certifying officers
- Procedures to process DD Form 577
- File retention requirements

#### **F. SUMMARY**

This chapter discussed the need for the transformation of the Army GPC program in Japan. The program administration, recommendation of implementation of COA 2, the inclusion of all Air Force's issued GPCs in the AFI 64-117 revision, and the creation of an Air Force MOI for the Army GPC procedures were also presented. The next chapter will provide a summary, conclusion, and areas for further research.

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## **V. SUMMARY, CONCLUSIONS, AND AREAS FOR FURTHER RESEARCH**

### **A. SUMMARY**

Chapter I provided the background of the Army GPC program in Japan and the goals of the Army for the program's realignment. The purpose and importance of the research project were also provided to explain how the Army and the Air Force could benefit from the recommendations of this research project. The scope limitations, research methodology, and research questions of the project were explained to show the basis for the recommendations provided by this research project, and that the recommendations will only apply to the stakeholders of the Army GPC accounts administered by the two Air Force contracting offices in Japan, the 18<sup>th</sup> and 374<sup>th</sup> CONS.

Chapter II presented a detailed literature review of the areas that are affected by the realignment. An overview of the DOD GPC program structure was provided to show the chain of responsibility for the Army GPC program in Japan. The details of the memorandum of agreement (MOA) were presented to show the validity of the need for the program's realignment and to ascertain the proper procurement authority to use. The GPC program administration and electronic access systems were discussed to show how the realignment could help the program to be in compliance with some mandatory DOD GPC procedures. The financial systems, payment procedures, certifying officers for GPC statement, file retention, surveillance procedures, and redundancies were also discussed to better understand how these areas relate to the questions of this research project.

Chapter III discussed the available viable realignment procedure options and weighted the advantages and disadvantages of these two options. Chapter IV provided the following recommendations:

- The most viable realignment procedure option is to approve a waiver to retain the Army's financial systems and payment procedure;
- Include all Air Force's issued GPCs in the Air Force Instruction 64-117;
- Create a memorandum of instruction (MOI) for the Army GPC procedures.

Chapter IV also justified the need for the realignment based on the MOA and explained how the transformation will improve the GPC program administration.

## **B. CONCLUSIONS**

The purpose of this research project was to provide an analysis of the transformation of the current Army GPC program in Japan and recommend the best course of action to implement the realignment. To accomplish that purpose, the basis for the answers to the four research questions are explained below.

- What are the Army's goals in requesting the program's realignment?

The Army's goals in requesting the Army GPC program's realignment is to be in compliance with the governing directives and to place the charge card program under the proper procurement authority in Japan. To ascertain the validity of this request, the governing directive for the administration of the Army GPC program in Japan, which is the MOA between the Pacific Air Forces and the Army Contracting Agency, Pacific Region, was evaluated. The MOA is a binding agreement and, based on the instructions of the MOA, the Air Force has contracting responsibilities to the Army. This includes the administration of charge card services to the Army customers in Japan. In addition, according to the MOA, the proper procurement authority in Japan is the Air Force.

- What areas of the program are affected by the transformation?

To answer this question, mandatory aspects of the GPC program were given consideration first. The areas of the program that are affected by the transformation include the DOD mandatory GPC procedures, the necessary electronic access systems, and the resources needed to administer the GPC program.

- What alternative procedures would be viable to process the realignment?

To determine what alternative procedures would be viable to process the realignment, existing Army's and Air Force's resources, such as personnel and local systems capabilities, were analyzed. Other mandatory systems and organizations that support the GPC program, such as the bank's and DOD's electronic access systems, were also researched. The effect on the GPC program administration was also given material consideration to determine the impact of the alternative procedures. Based on the evaluation of the areas affected by the transformation, two courses of actions (COAs)

were identified that would be viable for the realignment. COA 1 is to set up the Army GPC program in accordance with AFI 64–117, and COA 2 is to set up the Army GPC program by a waiver from AFI 64–117.

- What are the advantages and disadvantages of the viable alternatives?

The advantages and disadvantages of the viable alternative procedures were identified based on the impact of the alternative procedures to the current resources and efficiency of the program administration. Some of the disadvantages identified were unacceptable level of additional workload to the systems and personnel and no standing procedures for the financial systems that will be used. Some of the advantages identified were the use of current programs, systems, and resources such as the Army resource managers, financial systems, and the Army Single Charge Card Solution program.

### **C. AREAS FOR FURTHER RESEARCH**

There are four areas identified for further research. The first one is the communication channel between the Army resource managers (RMs) and the Air Force Agency/Organizational Program Coordinators (A/OPCs). This issue had been the cause of frustration for the Air Force A/OPCs and contributed to the Army's problem of wasted rebates and interest payments on delinquent accounts.

Another suggestion that could be included in the areas for further research is the benefits of training the Air Force A/OPCs on the Army's financial system, the General Funds Enterprise Business System (GFEBS). The Army A/OPCs are required to take GFEBS training for familiarization to the financial system. Online training is available and will not require a lot of resources to accomplish. This will give the Air Force A/OPCs a basic understanding of GFEBS. It will also help in the administration of the Army GPC program.

Another area that could be beneficial for further research is the use of the Air Force payment procedure, pay and confirm, to process invoices under the Army financial systems. The Air Force is exempted from the DOD's requirement to assign billing official duties to the GPC approving officials. Under the transformation, the Army GPC accounts will be built under the Air Force's hierarchies which will extend the exemption

to the Army accounts. Certifying officers could be assigned from the Army RM office. This procedure could potentially save a lot of resources. These include appointment and training time for certifying officers and file retention procedures for purchase documents. In addition, RMs have a better understanding of the payment procedures and have access to GFEBS.

The last area recommended for further research is the exclusion of the GPC services for Army customers in Japan from the MOA. There are some Army GPC accounts in Japan that are administered by the Army contracting offices outside of Japan. Looking into the administration procedures and the level of customer support being provided to those GPC customers may provide other options for the administration of the Army GPC program in Japan. To streamline the contracting procedures, many processes are now done in the virtual and paperless environment. For instance, under the local GPC administration, the Air Force surveillance procedure is done electronically under the test surveillance program.



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